

Message Text

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TAGS: BPRO, BTRA, RO, XT

SUBJ: CHRYSLER-GOR EXPLORATORY DISCUSSIONS ON COOPERATION

REF: USDOC 6977 (NOTAL)

1. SUMMARY: IN ONE-WEEK VISIT CHRYSLER CONSULTANT MORROW EXPLORED RANGE OF TRADE AND COOPERATION PROPOSALS INVOLVING GOR AND CHRYSLER'S EUROPEAN SUBSIDIARIES. BASED ON HIS POSITIVE FINDINGS AND GOR INTEREST, MORROW STATED HE PREPARED TO RECOMMEND MORE DETAILED DISCUSSIONS. NEXT ROUND OF NEGOTIATIONS APPEARS TO AWAIT APPROVAL BY CHRYSLER OF MORROW'S PROPOSALS. END SUMMARY.

2. THOUGH AFFORDED SOMEWHAT LESS IN WAY OF FIRST-HAND SURVEY OF ROMANIAN AUTOMOTIVE INDUSTRY THAN HE DESIRED, MORROW ACCOMPLISHED HIS BASIC MISSION OF DETERMINING ROMANIAN AUTOMOTIVE CAPABILITIES AND DEVELOPING BASIC OUTLINE OF POSSIBLE COOPERATION. AT TECHNICAL LEVEL MORROW WAS ABLE TO EXAMINE DACIA FACILITY AT PITESTI, WHERE HE HAD GOOD TALKS WITH SENIOR OFFICIALS, AND SEVERAL ANCILLARY PLANTS. PRODUCTIVE INTRODUCTORY AND WRAP-UP SESSIONS WITH DEPUTY MINISTER BUTOI OF MINISTRY OF HEAVY MACHINE BUILDING YIELDED NUMBER OF AREAS OF MUTUAL INTEREST.

3. FROM ROMANIAN STANDPOINT MOST SIGNIFICANT PROPOSAL DISCUSSED WAS LONG-GESTATING PROJECT FOR DEVELOPMENT OF SMALL CAR (900PLUS CC)

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WITHIN NEXT FIVE YEAR PLAN. MORROW AND BUTOI COMPROMISED ON

SCHEME TO EXPLORE JOINT DESIGN OF VEHICLE BASED TO MAXIMUM EXTENT FEASIBLE ON SIMCA 1000 AND DACIA. AT OUTSET MORROW HAD SOUGHT TO SELL BUTOI ON CONCEPT OF GOR SIMPLY PRODUCING SIMCA 1000 FOR BOTH DOMESTIC NEEDS AND CHRYSLER EXPORT MARKETS. BUTOI WAS ADAMANT, HOWEVER, THAT ROMANIA REQUIRED NEW VEHICLE RATHER THAN ONE BUILT ELSEWHERE AND ONLY AGREED TO USING DACIA AND SIMCA 1000 COMPONENTS WHEN INFORMED THAT NEW CAR COULD NOT BE BUILT FROM SCRATCH IN UNDER FIVE YEARS.

4. COOPERATION ON NEW VEHICLE WOULD BE IN FORM OF JOINT DESIGN AND PRODUCTION RATHER THAN JOINT VENTURE. MORROW OFFERED TO DISCUSS CHRYSLER CAPITAL CONTRIBUTION PROVIDED REQUIREMENTS WERE NOT TOO GREAT BUT BUTOI DID NOT PURSUE OFFER.

5. IN TRADE-OFF FOR CHRYSLER ASSISTANCE ON SMALL CAR, BUTOI AGREED, ALBEIT WITHOUT VISIBLE ENTHUSIASM, TO CONSIDER ASSEMBLY OF SIMCA 1000 IN ROMANIA FOR CHRYSLER'S EUROPEAN MARKETS. MORROW PUSHED HARD FOR POSITIVE RESPONSE, SINCE INTRODUCTION OF NEW LARGER SIMCA MODEL IN FRANCE WILL REPORTEDLY LEAVE INADEQUATE PRODUCTIVE CAPACITY TO SATISFY CONTINUED DEMAND FOR SIMCA 1000.

6. INTEREST MANIFESTED IN COOPERATION ON THREE OTHER VEHICLES, TWO ROMANIAN AND ONE CHRYSLER (UK):

A. MORROW SUGGESTED POSSIBILITY OF CHRYSLER MARKETING 4-DR, METAL-ENCLOSED ROMANIAN JEEP. ISSUE HERE IS ENGINE SIZE. BUTOI ARGUED FOR ROMANIAN 75-80 H.P. MOTOR MODIFIED WITH CHRYSLER HELP TO MEET U.S. EMISSION STANDARDS, WHILE MORROW COUNTERED WITH PROPOSAL TO INSTALL 225 CU. IN. CHRYSLER ENGINE. THEY AGREED THAT CHRYSLER COULD CONDUCT COMPETITIVE ASSESSMENT.

B. MORROW ALSO INTERESTED IN MARKETING OF ROMANIAN PICK-UP WHICH HE FELT COULD PROVIDE GOOD COMPETITION FOR TOYOTA AND DATSUN.

C. ROMANIANS ATTRACTED TO CHRYSLER (UK) MODEL 100 TRUCKS. MORROW AGREED TO PROVIDE SPECIFICATIONS.

7. BEYOND COOPERATION REGARDING VEHICLES, MORROW SOUGHT TO LIMITED OFFICIAL USE

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STIMULATE ROMANIAN INTEREST IN SALES TO CHRYSLER OF COMPONENTS AND BASIC MATERIALS. HIGH ON LIST WAS DIESEL ENGINE PRODUCED BY GOR UNDER GERMAN LICENSE. BUTOI OFFERED TO DETERMINE WHETHER TERMS OF LICENSE PERMITTED SALES IN THIRD COUNTRIES AND TO PROVIDE INFORMATION ON AVAILABILITIES AND PRICES. OTHER ITEMS ON MORROW'S EXTENSIVE SHOPPING LIST INCLUDED PRINTED CIRCUIT BOARDS, BAR STEEL, SHEET STEEL, COIL STOCK, WIRING AND WIRING HARNESSSES, IGNITION COILS, HORNS, BATTERIES, VINYL UPHOLSTERY, AND EVEN NUTS

AND BOLTS. ALL OF THESE ARE TO BE STUDIED BY GOR.

8. COMMENT: DESPITE DIFFERING GOR AND CHRYSLER PRIORITIDP, MORROW'S EXPLORATORY MISSION SEEMED TO GO WELL. FROM BUTOI'S COMMENTS WE WOULD SPECULATE THAT COOPERATION ON SMALL CAR IS PREREQUISITE FOR ROMANIAN ASSOCIATION WITH CHRYSLER. HAVING STRUCK OUT THIS FAR IN EFFORTS TO ENLIST COOPERATION OF JAPANESE AND VW (NEW GERMAN COMMERCIAL COUNSELOR SUGGESTED VW NOT PRESENTLY IN ACTIVE NEGOTIATIONS DUE TO FINANCIAL BIND) MINISTRY OF HEAVY MACHINE BUILDING NOW RATHER ANXIOUSLY CASTING ABOUT FOR WESTERN PARTNER. CHRYSLER, ON OTHER HAND, EVIDENTLY NEEDS FACILITY IN WHICH TO ASSEMBLE SIMCA 1000 AS WELL AS SOURCE OF COMPONENTS FOR EUROPEAN SUBSIDIARIES. MORROW APPEARED CONVINCED THAT ROMANIA HAS BOTH CAPABILITY AND, WITH REASONABLY SMALL ADDITIONAL INVESTMENTS, CAPACITY TO BE THAT ASSEMBLY POINT AND COMPONENT VENDOR. PROBLEM THEREFORE SEEMS TO BE ONE OF CONSTRUCTING PACKAGE WHICH OFFERS REASONABLY BALANCED SET OF ADVANTAGES. LACK OF FOLLOW-UP FROM CHRYSLER, WHICH MORROW PROMISED SHORTLY AFTER HIS SCHEDULED MEETING WITH TOP MANAGEMENT AT END OF MAY, SUGGESTS THAT FORMULATION OF THAT PACKAGE HAS NOT RPT NOT BEEN EASY TASK.

10. ACTION REQUESTED: WE REQUEST THAT USDOC COMMUNICATE WITH MORROW, INQUIRE ABOUT STATUS OF MORROW'S RECOMMENDATIONS AND LIKELY TIMING OF CHRYSLER'S RESPONSE, AND INFORM US OF HIS RESPONSE. BARNES

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